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ABSTRACT

This paper contains an overview of labor market policy in Sweden. It refers to job placement services and other more or less selective measures to improve opportunities for people to obtain and retain a job. The paper first examines the objectives of labor market policies since the 1950s, then it highlights such labor market trends as the increase in unemployment from the 1960s to the 1980s, slow economic growth, and the increasing number of unemployed young people. The next section explains the structure of the Labor Market Administration. It is followed by a discussion of types of labor market policy measures, such as matching measures, measures to influence labor supply, and measures to influece labor demand. The final two sections examine regional development aid and cash benefits to the unemployed. (KC)

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Swedish Labor Market Policy

Labor market policy is part of the government's economic policy, the overall aims of which are rapid economic progress, full employment, a low rate of inflation, balance in Sweden's payments to and from foreign countries, and an equitable distribution of incomes. In this Fact Sheet, the term "labor market policy" refers to job placement services and other more or less selective measures to improve opportunities for people in the labor force to obtain and keep a job. These tasks fall mainly under the jurisdiction of the National Labor Market Administration *(Arbetsmarknadsverket)*.

• OBJECTIVES

Labor market policy has expanded a great deal since the end of the 1950s. From the late 60s onwards it has accounted for between 5 and 8% of the State budget, which is three to five times its share of expenditure in the mid-1950s.

The main task of labor market policy in the 60s was the stimulation of economic growth. Added priority was given to measures aimed at encouraging occupational mobility, viz. placement services, labor market training and relocation grants. But measures to influence demand for labor in the form of relief work projects and measures on behalf of the occupationally handicapped also acquired added importance. During the 70s, with the deceleration of economic growth the role of labor market policy changed somewhat. A strategy was developed in order to offset the falling off of demand and "leapfrog" the international recession. Various measures were introduced to make it possible for companies to avoid staff reductions. Traditional job creation measures such as relief work projects were also resorted to on a large scale, and the scope for job placement and measures to influence labor supply was restricted. Labor market policy during the present decade has acquired a somewhat different focus, partly in the light of experience gained during the 70s. Its main task, at every stage of the business cycle, is to help reconcile labor supply and labor demand, quickly and efficiently. Labor market policy during the current upturn is essentially concerned with supporting the expansion of the business sector, improving services for job seekers and employers, and reverting to "the employment line" (i.e. reducing the proportion of unemployment benefit payments in the Labor Market Administration budget). This means greater emphasis on measures to enhance the efficiency of the labor market.

• LABOR MARKET TRENDS

Since 1970, the Swedish labor market has been characterized both by continued rapid structural transformation in the business sector and by three major recessions, in 1971–73, 1976–78 and 1981–83 respectively. Because of the growing difficulty of pursuing general measures, labor market policy has assumed sizeable stabilization tasks. At the same time, there have been increasing demands for programs to counteract structural unemployment.

Since 1970, the number of people in the Swedish labor force has increased by 17.6% to about 4.5 million. The labor supply continued to grow during the second half of the 70s (though at a slower pace) despite very weak total demand for labor. The increase in the labor force consisted almost entirely of women, who have to an increasing extent entered the job market. Throughout the period, irrespective of business cycles, there was continued rapid expansion within those parts of the public sector traditionally dominated by women. This was due, not least, to the expansion of public child care and old age care facilities. Since 1970, women have increased their share of the labor force from just under 40% to 48%. In contrast to the recession periods of the 70s, however, the number of people with jobs diminished during 1981 and 1982.

In 1988, 4% of total employment was in agriculture and forestry, while 29% was in mining, manufacturing and construction. Within all these sectors, employment declined somewhat during the second half of the 70s. The drop in industrial jobs was especially large during the recessions of 1976–78 and 1981–83. As for the rest, 12% were employed in wholesale and retail trade and 54% in private and public services. The number of employees within local government services has nearly doubled since 1970, so that in 1988 they exceeded the number of those employed in mining, manufacturing and construction.

At the same time as the number of employees continued to grow throughout the 70s, various factors led to a lower rate of growth in total hours worked. These included longer paid vacations, increased opportunities to take parental leave, and a growing proportion of part-time employees. In recent years, however, the total number of part-time employees has declined while there has been an increase in the total number of hours worked.

Registered unemployment appears low compared with other countries. During the 70s, the annual averages varied between 1.5% and 2.7% of the labor force. During the 80s, however, registered unemployment reached its highest level of the post-war period, averaging 3.5% in 1983, compared to 1.6% in 1988.

Since the early 60s, unemployment has tended to be higher at comparable stages of successive business cycles. The most rapid rate of increase has been among young people under age 25, especially teenagers.

Expenditures on labor market policy during the fiscal years 1977/78–1987/88, by percentages

Type of program	77/78	78/79	79/80	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88
Supply-oriented	28	33	34	33	29	26	23	22	26	26	29
Demand-oriented	53	43	41	39	37	40	41	41	38	35	31
Matching	6	7	7	7	7	6	5	5	5	6	6
Unemployment benefits	12	16	16	19	25	26	29	30	29	31	31
Other programs	1	1	2	2	2	2	2	2	2	2	3
Total	100	100	100	100	100	100	100	100	100	100	100
As % of GDP	3.0	2.9	2.7	2.4	2.5	3.0	3.0	2.7	2.4	2.4	2.2
As % of national budget	7.7	7.1	6.5	5.5	5.7	6.2	6.9	6.9	6.8	6.9	6.9

Fact Sheets on Sweden

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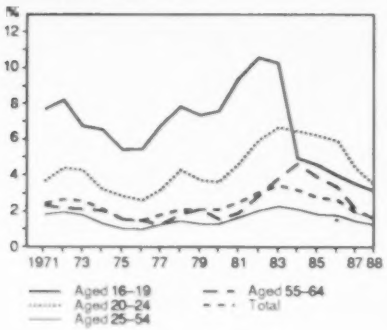
Official unemployment figures among different age groups



The rise in unemployment is largely due to individuals being unemployed for longer periods.

Despite major programs to help them, the problems of certain groups tended to worsen after 1970. For instance, young people, older unemployed people and the occupationally handicapped have encountered an increasingly difficult labor market situation, with large increases in the duration of unemployment. Furthermore, major regional differences persist despite efforts to bring available labor and the demand for it geographically closer together. The number of long-term unemployed, i.e. those who have been out of work for at least six months, totalled 21% of all unemployed labor in 1988. The corresponding figure in 1970 was 11%.

• STRUCTURE OF THE LABOR MARKET ADMINISTRATION

The Labor Market Administration is responsible to the Cabinet and the Ministry of Labor for implementing government labor market policy. The Administration includes the National Labor Market Board *(Arbetsmarknadsstyrelsen, AMS)* and the county labor boards *(länsarbetsnämnd)*. The county labor boards run the employment offices *(arbetsförmedling)*, the employability institutes *(arbetsmarknadsinstitut)* and in certain cases a special employment service for cultural workers *(kulturarbetsförmedling)*.

AMS is the central administrative agency for general labor market matters and is the agency directly in charge of the county labor boards and employment offices. In corresponding fashion, the county labor boards are regional agencies for general labor market matters and for the employment services. The employment services in each county have, with effect from 1987, been organized in the form of municipally based employment service boards (included as delegations in the county labor boards) with employment offices, and mobile employment service units. The employability institutes, which are responsible for vocational rehabilitation and intensified counseling, are located throughout the country. Each county labor board has a county secretariat liaising with these centers in the county.

In principle, the employment offices handle all job placement tasks in Sweden, since private employment agencies are forbidden. The employment service is also backed up by a law which requires all job vacancies (with certain exceptions) to be registered at the local offices. A company is, however, not obliged to hire a person referred to it by the employment offices. It may recruit employees by itself without utilizing the facilities of these offices.

A unique feature of Swedish labor market policy is the important role accorded to the management organizations and labor unions. Representatives of both sides sit on boards of directors at all levels of the Labor Market Administration. For example, the trade unions have six members and the employers three members on the 17-strong directorate of AMS. Labor and management representatives are not restricted to decision-making bodies alone, but are also found on more or less permanent committees that do research work, provide advice, and prepare various items of business.

• TYPES OF LABOR MARKET POLICY MEASURES

Labor market policy measures can be classified according to what they are intended to influence. The intention of certain measures is to bring together employment openings and job seekers at a particular point in time—so called matching measures, mainly consisting of job placement. Other programs are aimed at influencing the supply of labor, i.e. primarily measures to encourage occupational and geographic mobility. Finally, certain activities are intended to influence the demand for labor, either by means of subsidies to retain or increase employment at companies or by means of individually oriented measures such as relief work or efforts to create employment for older people or the occupationally handicapped. Aside from these active forms of aid, there is also payment of cash benefits to the unemployed.

The distribution of funds among different types of measures normally shows certain variations related to the business cycle. See Table on page 1.

Matching Measures

The major changes occurring on the labor market have meant increasingly large demands on the ability of the employment service to match job seekers with vacancies. Aside from actual *job placement*, matching activities include *information* and *guidance* which lead up to various *programs preparing a person for employment*. The employment service provides vocational counseling and whatever examinations of the applicant's situation may be required, for instance regarding vocational training, aptitude testing and occupational rehabilitation, or placement in a job outside the regular labor market (relief work, employment with subsidized pay, or sheltered employment).

Public job placement officials handle a sizeable volume of job seekers and employment openings. During fiscal 1987/88 a total of 893,000 people were registered at the employment services as job seekers (an individual person may have been registered more than once during the year). Of these, about 475,000 were jobless at some point during the fiscal year. Of all applicants about 10% were occupationally handicapped, 8% were foreign citizens, and about 40% were young people aged 16–24. In all, the employment offices registered 756,000 job openings during the year, of which 711,000 were newly-registered and 45,000 left over from the previous fiscal year.

A number of steps have been taken in recent years to make job placement services more efficient. For instance, job placement is now fully computerized. Terminals provide each employment office with access to information about all job-seekers and all vacancies. Thus vacancies are filled quicker and more efficiently. This means shorter periods of unemployment for job-seekers, shorter vacancy periods for companies and substantial economic gains for society as a whole. To increase efficiency still further, the job placement services have been made more goal-oriented and there are widespread moves afoot to switch personnel from administration to direct contact with clients. In addition, placement offices are being staffed to accord with the needs of job-seekers and employers.

Measures to Influence Labor Supply

An important type of program to influence the availability of labor is *subsidization of geographical mobility*. To facilitate the degree of mobility justified by labor market conditions, the employment office can provide economic aid as well as job placement service. The former may consist of compensation for actual moving expenses, starting grants, and per diem allowances covering the temporary extra costs of double residency. During fiscal 1986/87 about 33,400 people received starting grants when they moved. Starting grants were discontinued from 1st July 1987 except in the case of so-called key applicants. From 1st January 1989 a new moving subsidy was introduced, an additional-costs allowance of SEK 5,000 payable to certain job-seekers who move to another part of the country for labor market reasons.

Labor market training adapted to meet individual requirements (excluding training within companies) is one of the most important means of influencing and changing the available labor supply. The training program is primarily intended to help unemployed people and hard-to-place job seekers who lack occupational skills.

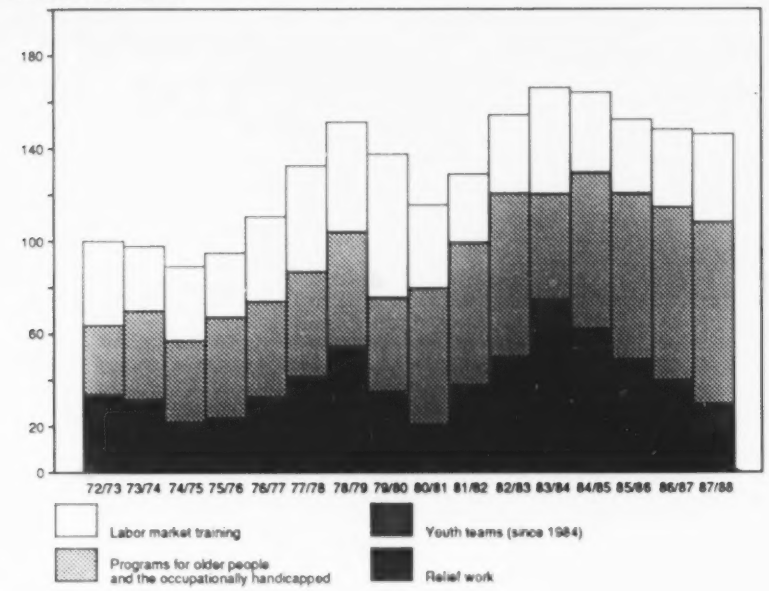
Most labor market training assumes the form of specially arranged courses under the auspices of the Labor Market Training Group *(AMU-gruppen)*—a new authority (as of 1986) consisting of a central board and 25 regional commissions. The courses take place at labor market training centers. The bulk of these courses are vocationally oriented, but there are also preparatory courses. Labor market training can, however, also consist of studies at a compulsory or upper secondary school.

Labor market training is free of charge, and participants aged 20 or over receive training grants ranging from SEK 270 to SEK 450 per day. This compares with an average daily income of about SEK 540 for industrial workers in 1988. Teenagers without dependents receive an allowance of SEK 191 per day. Individually oriented labor market training has more than doubled in volume since 1970, and during fiscal 1987/88 on average 39,000 people participated in labor market training.

During the 70s, there was a sharp increase in study programs for occupations in the service sector. Those who completed these programs were predominantly women. At the same time, there was a decline in the percentage of labor market training

SEK 1 (Swedish krona) = USD 0.15 or GBP 0.10 (approx.)

Number of people involved in labor market programs (in thousands), measures aimed at individuals



participants enrolled in programs for occupations in the manufacturing sector. At the beginning of the 80s, however, there was a decline in the proportion of women engaged in labor market training. But this trend has been halted in recent years and the proportion of women is once again rising. In the 1987/88 fiscal year, they accounted for 51% of labor market trainees.

Annual follow-up studies have shown that most people who begin labor market training also complete it. Usually about 60–70% of all students in the specially arranged vocational training courses also find jobs on the open labor market within six months after completing their studies.

Job seekers with limited work capacity can be given vocational rehabilitation at the employability institutes. Some of these centers have special resources for particular categories, e.g. the visually handicapped, those with impaired hearing and those with mobility disabilities. The centers can also provide intensive counseling for persons who have difficulty in choosing a possible occupation. Other activities include methods development, research and training/education to improve vocational rehabilitation. During the 1987/88 fiscal year, on average 5,100 people were enrolled at employability institutes.

Measures to Influence Demand for Labor

Measures to influence demand for labor can either be aimed at individuals or at companies. The first of these categories includes such traditional measures as relief work projects and employment-generating activities for the disabled. Measures aimed at companies are intended to maintain existing jobs or influence hiring.

Measures Aimed at Individuals

Relief work projects are arranged in order to create temporary jobs for unemployed people who, for various reasons, cannot find work on the regular labor market. A traditional type of relief job is construction and civil engineering projects to counteract recessionary or seasonal declines in business activity. Since the mid-70s, however, relief work projects have assumed a completely different image than before. Relief jobs have been created for young people among others (as from 1984 the age limit was raised to 20, following the introduction of special youth teams for young persons aged 18–19). Their purpose has been not only to provide an income, but also to give young people working experience and a better foundation for their choice of occupation or continued education. This shift in target group has also brought about a rapid proliferation of relief jobs especially in local government services and the health care sector.

As of 1983, jobless members of unemployment insurance societies with less than 50 days to go before the expiry of their unemployment benefit are automatically entitled to relief work. This type of work carries the same rates of pay as the corresponding jobs in the open market. An average of 15,200 persons were employed on relief work projects during the 1987/88 fiscal year, and 28% of them were young people aged 20–24.

From 1985 people with socio-medical disabilities who have previously been engaged in municipal relief schemes can get permanent employment in so-called public sheltered employment. State subsidies to the municipal employers amount to 75% of the labor costs. An average of 5,900 people were employed in such jobs during the 1987/88 fiscal year.

Recruitment subsidies were introduced in 1984 with the aim of facilitating recruitment of, above all, job seekers aged 18–24, hardcore unemployed and persons whose unemployment benefit is on the point of expiry. At present these subsidies are of two kinds. Firstly, there are grants for the recruitment of long-term unemployed (and persons whose unemployment insurance coverage is about to expire). These are payable for six months. The second kind of subsidy, for other hard-to-employ categories, is payable for three months. These subsidies focus mainly on the private sector but, on certain conditions, can also be awarded for municipal employment. They cover 50% of true wage costs for six and three months respectively. During fiscal 1987/88, an average of 5,000 persons were employed by means of these subsidies.

In 1984 a legal guarantee of work in so-called youth teams (under the terms of the *Act on Employment in Youth Teams with Public Employers*) was introduced for young persons aged 18 and 19. According to this, young people were placed in youth teams by the employment office if no other work or more suitable placement could be found for them. The Act entitled these youngsters to an average of four hours' work a day, five days per week, at going rates. Those whose previous employment and membership entitled them to unemployment compensation thereby qualified for full-time employment. On average these youth teams had 14,000 members during the 1987/88 fiscal year. From 1985 job-seeking was a compulsory feature of youth team programs. The law required the youngsters to devote an average of two hours a week to job-finding activities.

Induction opportunities for young persons aged 18–19 were introduced in 1986. The purpose of this system is to give youngsters hands-on experience and an introduction to working conditions, above all in industry. The subsidization rate is 50% of total wage costs for six months. In the 1987/88 fiscal year the average number of participants was 1,300.

On July 1, 1989, the law on youth teams was superseded by a new kind of guaranteed employment scheme. This guarantees all 18–19-year-olds full-time employment via induction opportunities if they have not found work on the regular labor market. The scheme applies to young persons who are still out of a job seven weeks after registering at the employment office and after participating in job-seeking and vocational guidance activities. Induction opportunities are available throughout the labor market, command standard wage rates and run for six months. Government subsidies meet 50% of wage costs.

Since 1984 it has also been possible for jobless persons to obtain grants towards starting up their own businesses. During 1987/88 about 2,000 persons received these start-up grants, which are payable for up to six months at the same rates as unemployment compensation.

During the 70s, various laws were passed both in order to reinforce the job security of existing employees and to make it easier for the employment offices to find work for hard-to-place job seekers.

The Act on Security of Employment stipulates, for example, that an employer must give legally acceptable reasons for firing employees, and that the notice period must be 1–6 months, depending on the employee's age. A person dismissed due to lack of sufficient work is also entitled to first refusal if the company later hires new employees. Another law, the *Act Concerning Certain Employment-Promoting Measures*, stipulates notice periods of 2–6 months to the county labor board in case of production cutbacks. The Act also gives the labor market authorities the option of far-reaching negotiations with companies with the aim of furthering the hiring of hard-to-place job seekers.

When job placement and training programs are insufficient, various employment-generating measures for the occupationally handicapped may be used.

Wage subsidies or introduction subsidies are payable to facilitate the recruitment of disabled persons in both the private and public sectors. Wage subsidies are only payable with respect to permanent jobs. National governmental authorities are entitled to grants covering full wage costs. Other employers normally qualify for 50% coverage for the first two years and 25% thereafter. Subsidization periods can be extended. Employers who take on unemployed people with severe occupational disabilities are entitled to special wage subsidies amounting to 90% of the labor cost for the first year and 50% for the following three years. During the 1987/88 fiscal year some 43,200 people held jobs with wage subsidies.

Introduction grants, introduced in 1984, can be awarded in cases where the employee requires intensive introduction and special modifications have to be made to the workstation. These grants, which are payable for both temporary and permanent jobs, cover 90% of wage costs for up to 960 hours.

Another type of subsidy is a *government grant* available to employers to purchase working aids for the disabled. There are also grants and loans for motor vehicles and subsidies to pay people who assist the disabled with their work. In addition, there are grants available to older or occupationally handicapped people who wish to operate their own businesses. From the 1986/87 fiscal year, special county companies *(Läns-Galaxbolag)* have been set up to provide jobs and rehabilitation for unemployed building and construction workers. They involve collaboration between the National Labor Market Board and, among others, the major building corporations, and wage costs for the workers assigned to the companies are 75% state-subsidized. In the 1987/88 fiscal year 400 persons were employed on average in these companies.

It has nevertheless proved to be difficult to place all occupationally handicapped people on the regular job market. One alternative is placement in *sheltered employment*. As of 1980, the various types of sheltered employment, i.e. sheltered workshops, office work centers, industrial relief jobs and certain types of home-based work have been brought together into a special production and sales organization, the Swedish Communal Industries Group (*Samhällsföretagsgruppen*, from 1st July 1987 *Samhall AB*). During fiscal 1987/88 the group had on average 28,300 employees, divided into 350 workshops and 24 regional head offices.

Measures Aimed at Companies

Labor market policy has long included a relatively large variety of *in-house labor market training*. As of 1984 there are four kinds of in-house training qualifying for State grants: (a) bottleneck training, i.e. training for skilled jobs were there is a shortage of skilled personnel, (b) training for structural change, i.e. training for employees whose previous training is outmoded and whose jobs will be so thoroughly transformed by structural change that they must be retrained if they are to stay on, (c) training for potentially redundant workers who would otherwise run an imminent risk of being laid off, and (d) training of employees belonging to the underrepresented sex in jobs where the sexes are unevenly balanced.

The State grant paid to the individual company covers the actual cost of the training course, up to a maximum of SEK 35 per hour. A company can also receive wage subsidies of up to SEK 35 per hour, conditional on a quid pro quo in terms of employment policy. Employees continue to receive their normal pay during training. In all 25,000 persons participated in in-house training during the 1987/88 fiscal year.

Other employment promotion measures for persons already in employment are *orders to industry* and *temporary employment subsidies*. Under the orders to industry scheme, national governmental authorities can bring forward orders placed with industrial enterprises where cutbacks are imminent. Temporary employment subsidies are for the benefit of elderly workers in the textile and garment industries.

Recruitment subsidies of various kinds have been used for brief periods ever since the end of the 70s in order to speed up recruitment plans in anticipation of an economic upturn. The temporary recruitment subsidies introduced in 1978/79 were addressed to the manufacturing industry, retail trade and private services, while the temporary recruitment incentives scheme of 1981/82 was confined to manufacturing industry. Subsidies were made available during the second half of 1983 for speeding up the planned recruitment of new employees at local authorities.

• REGIONAL DEVELOPMENT AID

The government's regional development policy objective is a balanced population trend around the country along with access to work, services and a sound environment in all areas. It is implemented in three ways: regional planning, information and advisory services, and financial subsidies. Regional development policy has been realigned and expanded in recent years to focus on professional competence-raising, education and infrastructural improvement. Responsibility for regional subsidies was transferred to the National Industrial Board *(Statens Industriverk)* in fiscal 1984/85. Since 1988/89 regional development policy has once again become the responsibility of the Ministry of Labor.

Supportive measures for the business sector mainly comprise loans and grants for investment purposes, goods transport subsidies and subsidies for the augmentation of labor force. The distribution of regional development aid to business enterprises is based on a division of low-employment regions into three aid areas with different levels of priority. Most of the aid goes to companies in the seven counties of northern Sweden, which have distinct, long-term employment problems. Effective from 1983, employer-financed social welfare fees in Sweden's most northerly municipalities were reduced by 10% of payrolls for all employers except national and local governments.

Employment subsidies are granted in varying amounts and for varying periods to companies in the three highest-priority aid areas which increase their net manhours of employment. The maximum available subsidy per employee is SEK 105,000 for three years, SEK 150,000 for five years, or SEK 180,000 for seven years. Employment subsidies are administered by the National Industrial Board, while other supportive arrangements for the business sector come under the Ministry of Industry at central level and the county administrative boards at regional level.

• CASH BENEFITS TO THE UNEMPLOYED

Unemployment insurance in Sweden is administered by unemployment benefit societies, closely tied to the nationwide trade unions. Membership in such a society is voluntary and ordinarily goes along with membership in the appropriate trade union. The unemployment benefit societies are financed from members' dues and from employer fees. There are 43 societies with about 3.5 million members. To be eligible for benefits, an unemployed member has to register as a job seeker with a local employment office and be willing and able to accept suitable work.

Unemployed people eligible for such *benefits* may receive 90% of previous working income or a maximum of SEK 450 per day (in future this figure will conform to wage development levels for industrial workers). Unemployment benefits are taxed in the same way as working income. Because of the progressive effects of the tax system, the resulting loss of income is less after tax. A person may not receive more than 300 days of uninterrupted unemployment benefits, although members aged 55–64 may receive benefits for up to 450 days.

So-called *cash labor market assistance*, a public unemployment benefit amounting to SEK 158 per day, complements the unemployment insurance system. It provides some economic protection to new entrants on the labor market and other unemployed people who are not members of recognized unemployment benefit societies. Just over one third of the total cost of this program is financed by the national government, the remainder by employer payroll fees.

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